



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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February 13, 2006

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FROM: ChangMook Sohn, Executive Director
Economic and Revenue Forecast Council

SUBJECT: February 10, 2006 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$1,192.3 million in the January 11–February 10, 2006 collection period. Tax payments continue to grow faster than expected. Receipts for the current period were \$43.5 million (3.8 percent) above the estimate for the month. Most sources were higher than expected. As in recent periods, Revenue Act taxes (sales, business and occupation, use, and public utility), real estate excise tax payments and brokered natural gas tax payments accounted for the majority of the positive variance this month. Cumulatively, GFS collections are now \$76.1 million (2.1 percent) above the November 2005 forecast (\$54.7 million, 1.5 percent, excluding special factors). Although special factors (two unusually large audit payments last month and one two months ago) contributed \$21.4 million to the higher than expected collections, most of the \$76.1 million variance reflects a stronger than expected economy.

Economic news continues to be generally positive. The U.S. economy added 193,000 jobs in January and both the November and December numbers were revised up substantially. The increase in jobs lowered the unemployment rate to 4.7 percent. This is the lowest unemployment rate since the summer of 2001. Other positive news includes the report from the Conference Board that the U.S. Index of Leading Indicators increased 0.1 percent in December, following large gains in both October and November. In addition, the Conference Board reported that Consumer confidence increased again in January and is now at its highest level in more than three years. At the state level, both income and employment in the fourth quarter of 2005 were higher than expected in the November forecast. Employment growth was exceptionally strong in the fourth quarter, growing at a 4.3 percent annual rate, the strongest growth since 1997.

Revenue Act collections were \$35.4 million higher than expected this month. Tax payments this period primarily reflect December 2005 activity of monthly taxpayers, fourth quarter of 2005 activity of quarterly filers and calendar 2005 activity of annual filers. Revenue Act receipts this month were 11.1 percent higher than a year ago. This was a little better than growth in the previous two months. Last month Revenue Act collections increased 9.0 percent and two months ago, receipts were up 7.7 percent. Growth for the quarter was a solid 9.5 percent. While fourth quarter growth remains well above the growth in income, it was a little slower than growth in both the second (9.8 percent) and third quarter (12.0 percent).

Preliminary information on tax payments by industry for the current period shows strong growth across the board. Tax payments by firms in the retail trade and food services sector increased 10.1 percent. Two months ago, this sector reported a 4.4 percent increase and last month, tax payment from firms in this sector increased only 2.8 percent. Several retailing categories reported double-digit increases including: general merchandise stores (+19.2 percent), furniture and home furnishings stores (+11.8 percent), gas stations and convenience stores (+14.4 percent) and non-store retailers (+17.7 percent). Auto dealers, the largest retailing sector, reported a 5.3 percent increase; last month this sector was up only 0.1 percent. Overall, tax payments firms in non-retail trade and food services sectors were 12.4 percent higher than a year ago. Last month this category reported an 8.7 percent increase. Construction remained strong, with tax payment in this sector 15.6 percent higher than a year-ago. Last month this sector reported a 14.9 percent increase.

Non-Revenue Act General Fund taxes were \$8.1 million above the estimate for the month, increasing the cumulative variance for this group of taxes to \$13.9 million for the three months since the November forecast. The vast majority of both the monthly and cumulative variance is due to higher than expected real estate excise tax payments.

Although real estate payments continue to exceed the forecast, there is a hint of slowing in real estate activity. Taxable real estate activity in the most recent month (closings in December which reflect tax payments to the state in January) were 8.9 percent higher than a year-ago. While still stronger than expected in the forecast, the growth in activity was significantly weaker than in prior months. Last month activity was 25.4 above the year-ago level and two months ago it increased 33.6 percent. The majority of the increase was again due to an increase in the value per transaction (+10.4 percent). The number of transactions decline 1.4 percent from the year-ago month.

Department of Licensing General Fund-State collections, which primarily reflect payments of various licenses and fees, were \$93,000 below the estimate for the month but are \$38,000 above the estimate for the two months since the November forecast.

The attached Table 1 provides a comparison of collections with the November 2005 forecast for the January 11, 2006 – February 10, 2006 collection period and cumulative since the November forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

TABLE 1
Revenue Collection Report
February 10, 2006 Collections Compared to the November 2005 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
Jan. 11 - February 10, 2006				
Department of Revenue-Total	\$1,148,669	\$1,192,130	\$43,460	3.8%
Revenue Act** (1)	1,051,858	1,087,301	35,443	3.4%
Non-Revenue Act(2)	96,811	104,829	8,017	8.3%
Liquor Sales/Liter	16,944	17,239	295	1.7%
Cigarette	4,034	4,088	54	1.3%
Property (State School Levy)	(13,361)	(13,348)	13	-0.1%
Estate	0	(1,436)	(1,436)	NC
Real Estate Excise	72,143	76,187	4,043	5.6%
Timber (state share)	0	0	0	NA
Other	17,052	22,100	5,048	29.6%
Department of Licensing (2)	216	123	(93)	-43.2%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,148,885	\$1,192,252	\$43,367	3.8%
Cumulative Variance Since the November 2005 Forecast (Nov. 11, 2005 - Feb. 10, 2006)				
Department of Revenue-Total	\$3,559,011	3,635,007	75,996	2.1%
Revenue Act** (3)	2,587,055	2,649,179	62,124	2.4%
Non-Revenue Act(4)	971,956	985,828	13,872	1.4%
Liquor Sales/Liter	40,323	40,866	543	1.3%
Cigarette	11,804	11,997	193	1.6%
Property (State School Levy)	633,785	634,393	608	0.1%
Estate	104	352	248	NA
Real Estate Excise	218,687	234,316	15,629	7.1%
Timber (state share)	2,651	2,681	30.4	1.1%
Other	64,602	61,222	(3,380)	-5.2%
Department of Licensing (4)	617	655	38	6.2%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$3,559,628	\$3,635,662	\$76,034	2.1%

1 Collections Jan. 11,2005 - Feb. 10, 2006. Collections primarily reflect December 2005 activity of monthly taxpayers, Oct.-Dec. activity of quarterly filers and cy 2005 activity of annual filers

2 January 1-31, 2006 collections.

3 Cumulative collections, estimates and variance since the November 2005 forecast; (November 11, 2005 - Feb. 10, 2006) and revisions to history.

4 Cumulative collections, estimates and variance since the November 2005 forecast; (November, 05, December 05, and January 2006) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the November 2005 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from the Department of Revenue and the Department of Licensing and the Lottery Commission.

TABLE 2
January 10, 2006 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
December 11 - January 10, 2006				
Department of Revenue-Total	\$1,103,656	\$1,103,656	\$0	0.0%
Revenue Act (1)	791,343	791,343	0	0.0%
Non-Revenue Act(2)	312,313	312,313	(0)	-0.0%
Liquor Sales/Liter	12,180	12,180	0	0.0%
Cigarette	3,775	3,775	0	0.0%
Property (State School Levy)-net	223,486	223,486	(0)	-0.0%
Estate	664	664	(0)	-0.0%
Real Estate Excise	66,735	66,735	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	5,473	5,473	(0)	-0.0%
Department of Licensing (2)	367	312	(55)	-15.0%
Lottery (2)	0	0	0	NA
Total General Fund-State***	1,104,023	1,103,968	(\$55)	-0.0%
Cumulative Receipts: November 11 - January 10, 2006 & Revisions to History				
Department of Revenue-Total	\$2,442,877	\$2,442,877	\$0	0.0%
Revenue Act (3)	1,561,878	1,561,878	0	0.0%
Non-Revenue Act(4)	880,999	880,999	(0)	-0.0%
Liquor Sales/Liter	23,627	23,627	(0)	-0.0%
Cigarette	7,910	7,910	(0)	-0.0%
Property (State School Levy)-net after transfer	647,741	647,740	(1)	-0.0%
Estate	1,788	1,788	(0)	-0.0%
Real Estate Excise	158,130	158,130	(0)	-0.0%
Timber (state share)	2,681	2,681	0	NA
Other	39,122	39,123	1	0.0%
Department of Licensing (4)	587	532	(55)	-9.4%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$2,443,464	\$2,443,409	(\$55)	-0.0%

Preliminary. Reported in the January 10, 2006 collection report.

1 Collections Dec. 11 - Jan. 10, 2006. Collections primarily reflect November 2005 business activity of monthly taxpayers.

2 December 1-31, 2005 collections.

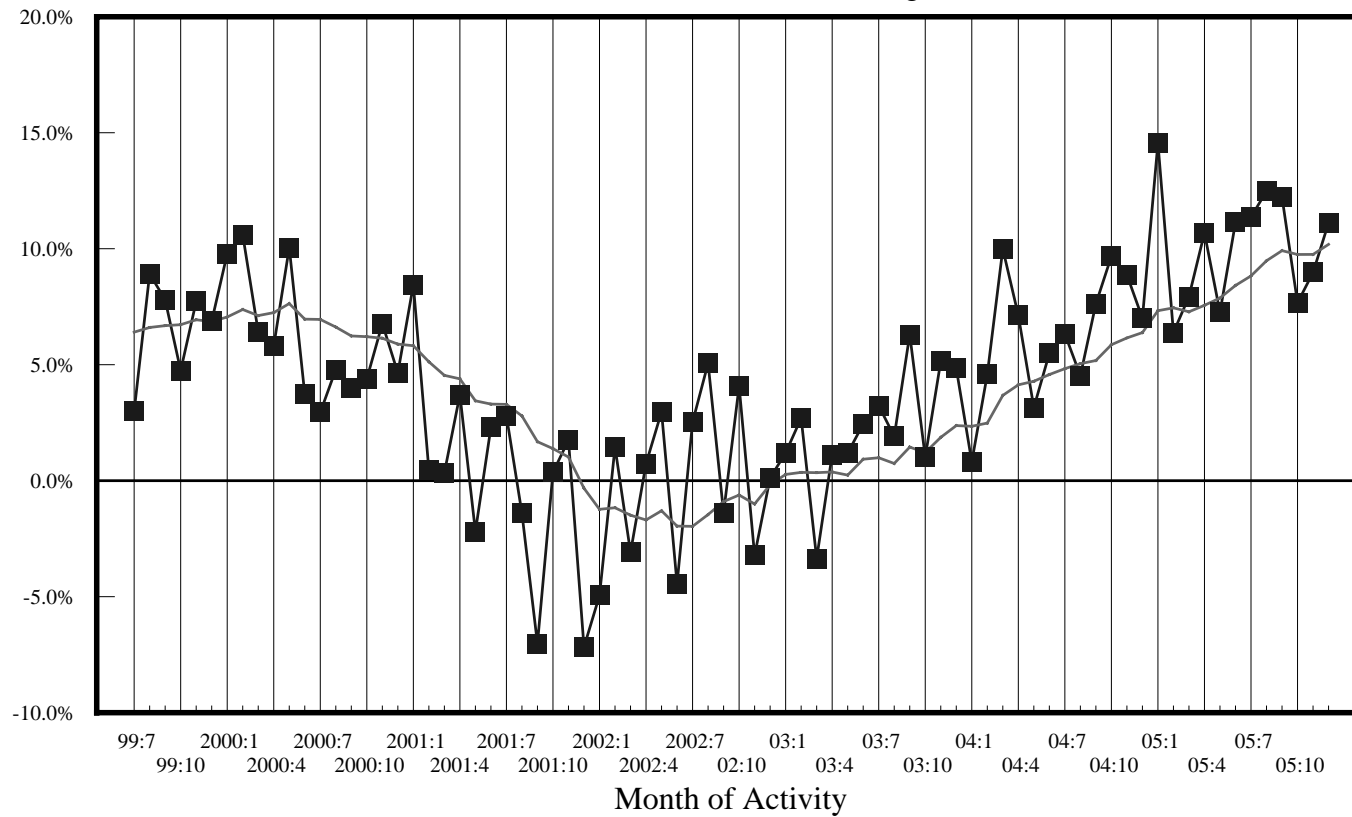
3 Cumulative receipts since the Nov. 2005 forecast: Nov. 11-Jan. 10, 2006 & revisions to history.

4 Cumulative receipts since the Nov. 2005 forecast (November & Decmeber 2005) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month — 12 month moving ave.

*adjusted for new legislation and special factors